EPH EASTERN PROPERTY HOLDINGS

Semi-annual Review 2009

Contents

Results at a Glance

Key numbers from Balance Sheet and Income Statement

in US$

	30.06.2009	31.12.2008
Assets		
Investment properties	259,598,792	260,717,050
Financial investments	27,850,000	22,309,600
Loans and receivables	63,847,733	55,048,889
Cash & cash equivalents	17,106,144	8,979,168
Other assets	90,501,627	131,441,250
Total assets	458,904,296	478,495,957
Liabilities		
Bank loans	78,500,000	39,200,000
Accounts payable and accrued expenses	7,908,324	8,306,768
Total liabilities	101,339,656	62,721,367
Total equity	357,564,640	415,774,590
Number of shares outstanding	4,283,013	4,791,979
Net asset value per share	83.48	86.76

	30.06.2009	30.06.2008
Results		
Gross rental income	8,780,360	10,010,081
Net loss from fair value adjustment on investment properties	– 28,249,988	– 1,145,899
Net (loss)/ gain from fair value adjustment on financial investments	– 2,706,727	163,287
Net operating (loss)/ profit before finance cost	– 25,240,254	15,058,443
Net (loss)/ profit for the period	– 37,420,623	13,465,975
Earnings per share	– 8.23	2.81
Market capitalisation	111,358,338	95,360,382

Statement of the Board of Directors

Dear Shareholders,

Though the real estate market in Russia continues to be characterised by an almost complete lack of development activity and take up by renters or buyers, EPH is in the enviable position of being very conservatively leveraged, owning both income producing rental properties and a portfolio of development projects, and having cash available to take advantage of selected opportunities.

In January of this year we drew our second bank loan: a US$ 40 million, non-recourse 5 year term loan from UniCredit Bank secured by Petrovsky Fort, our St. Petersburg business center which, until this year, has been unleveraged. With this new loan, our total bank debt is under US$ 80 million, while our total assets were over US$ 460 million at 30 June 2009.

With our shares trading at discounts of over 75% to net asset value in the first half of this year we took advantage of the opportunity to effectively buy our own assets at a fraction of their value. Having repurchased over 10% of our outstanding shares we have weathered a second round of downward revaluations, impacting almost all of our assets, with only a minor impact on our per share net asset value.

We have focused our development activity on projects which will be completed earliest and which will find demand the soonest in spite of depressed market conditions, or at worst, earliest in the inevitable recovery. As a result, on 23 September our joint venture company EPH One received title for the recently completed Geneva House, a 16,500 square meter Class A Prime office and retail property on Moscow's Petrovka Street. Our newly completed property is well positioned: Geneva House combines a trophy location, attractive design, and quality construction, making it a logical top choice for blue chip tenants.

This report is our first under the enhanced segment reporting standards of IFRS 8. You will find this information in Note 4 to our interim financial information. By presenting financial information on the basis of coherent business lines we are able to provide you, the user of our financial statements, with a much clearer understanding of the roles our rental properties, development projects, project finance and other investments play in our business.

Sincerely,

The Board of Directors
September 2009

Corporate Governance Report

Group Structure

Group structure
Eastern Property Holdings (EPH) is a real estate holding company. Its investments are held either directly or through subsidiaries. Management of the Company is provided by Eastern Property Management Ltd (EPML), which is a wholly owned subsidiary of Valartis Group AG. The Company's object is detailed in Note 1, "Incorporation and Activity" to the Interim Financial Information.

Domicile	P.O. Box 3161 Road Town, Tortola, British Virgin Islands
Swiss security number	1673866
ISIN number	VGG290991014
Market capitalization	US$ 111.36 million as of 30 June 2009

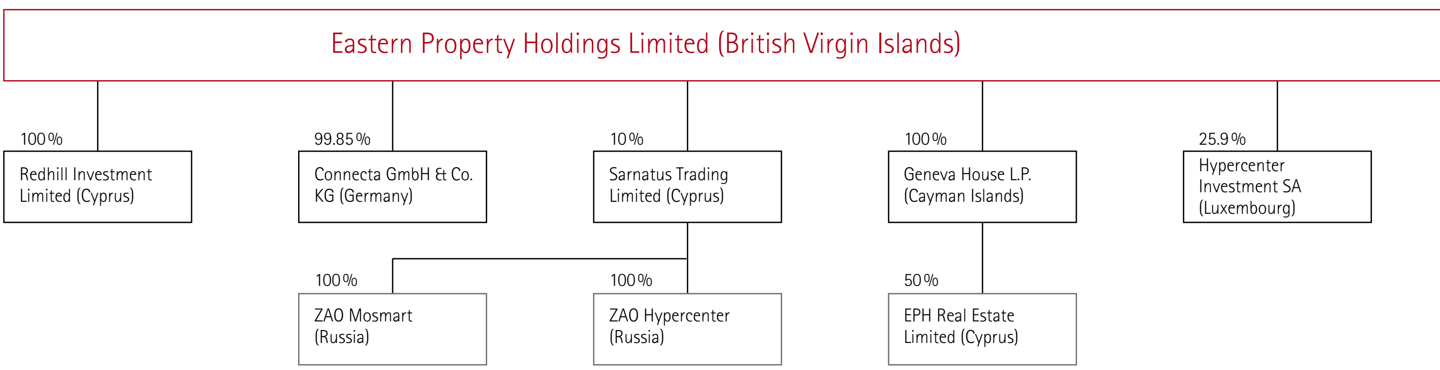
The subsidiaries of the Company are not listed and do not hold any shares in EPH.

Significant shareholders
The shares of the Company are widely spread between institutional and private investors. On 30 June 2008, Valartis Group AG owned 773,798 shares of EPH, and its wholly owned subsidiaries Valartis International Ltd and Valartis Bank AG held 339,703 and 15,615 shares respectively. ENR Russia Invest, which is managed and majority owned by Valartis Group, and its subsidiary ENR Private Equity, own 221,000 and 272,000 shares respectively. MCT Global Opportunities Fund, which is managed by Valartis International Ltd held 100,000 shares of EPH. As EPH is not domiciled in Switzerland, its shareholders are not subject to the disclosure obligations as laid down in art. 20f SESTA.

Cross-shareholdings
The Company is not aware of any cross-shareholdings.

Capital Structure

Capital
As of 30 June 2009, the Company's share capital consists of 5,338,132 registered shares with one vote per share and no par value. The shareholders register is maintained and administrated by SIX SAG Ltd. Baslerstrasse 90, CH 4601 Olten. Note 12 to the Company's Interim Financial Information contains a detailed escription of the Company's capital structure including all transactions in treasury shares during the period under review.



Authorised and conditional capital

A change in the Company's authorised capital must be approved by a resolution passed by the general meeting of members. A capital increase by the exercise of options or conversion of rights must also be covered by the authorised capital as the Company's articles do not foresee a conditional capital. The status of the authorised capital is detailed in Note 12 to the Interim Financial Information.

Change in capital

Changes in capital since 1 January 2008 are summarised in the Consolidated Statement of Changes in Equity.

Shares and participation certificates

Note 12 to the Interim Financial Information contains a detailed description of the Company's shares. No participation certificates have been issued.

Profit sharing certificates

The Company has not issued any profit sharing certificates.

Limitations on transferability and nominee registration

In order to exercise their voting rights, shareholders must register their shareholdings in the Company's shareholder register. The Company's Articles of Association do not foresee any restrictions regarding the registration of shareholders in the register.

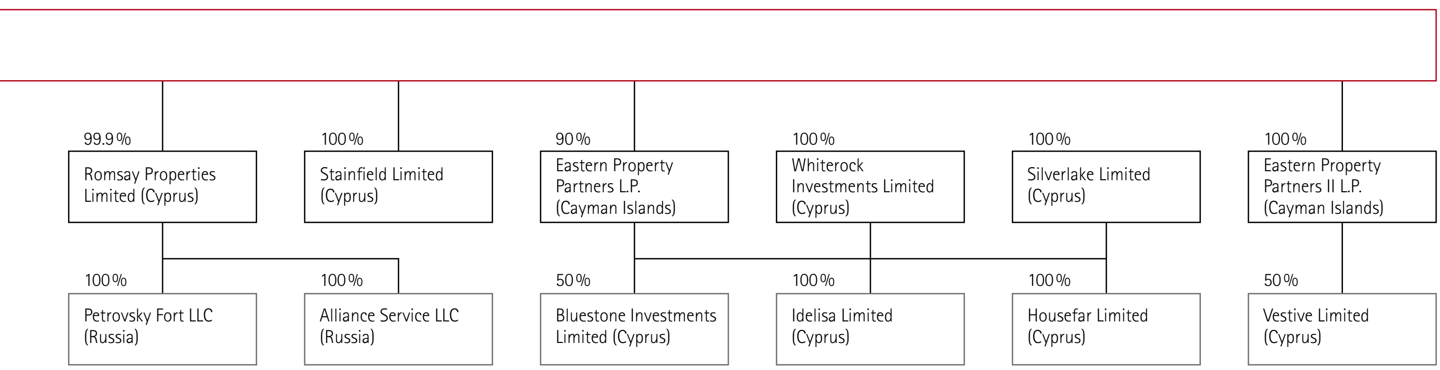
Board of Directors

Members of the Board of Directors

As of 30 June 2009, the Board of Directors is composed of the following members:

Gustav Stenbolt, Executive Member (since March 2003)

Gustav Stenbolt is the CEO of Valartis Group and Valartis Bank AG, Zurich, Chairman of the Board of Directors of Valartis Asset Management S.A. and Valartis Wealth Management S.A., Geneva, ENR Russia Invest S.A., Geneva, and MCG Holding AG, Baar, Chairman of the Supervisory Board of Valartis Bank (Austria) AG, Vienna, and Valartis Europe AG, Vienna. Mr Stenbolt is also a member of the Board of Directors of Anglo Chinese Group, Hong Kong. He is a graduate in economics from Fribourg University and founded MCT Group in 1996. Mr. Stenbolt also served on the Man-



agement Committee of EPH from
its founding until 2007.

Serge de Pahlen, Non-Executive Member (since April 2004)

Mr. de Pahlen is Chairman of Geneva-based Edifin Services SA. He was formerly Vice President for international activities at Fiat Group, and Chairman of OOO Fiat Russia from 2001 to 2005, as well as board member for a number of other Fiat Group companies. Mr. de Pahlen also serves on the boards of directors of International Industrial Bank (Russia) and Kostroma Invest. Paris. He is a graduate of the Polytechnical Institute of Zurich.

Philipp LeibundGut, Executive Member (since March 2003)

Mr. LeibundGut is a partner at MCG, the majority shareholder of Valartis Group AG. He was instrumental in the founding of EPH, and also served as a member of the Management Committee from 2003 until 2006. Before joining MCG, Mr. LeibundGut was in charge of the Russian investment activities of Hansa AG, and prior to that was with Credit Suisse. He is a graduate of the Technical College of Basle-Land and Basle-Stadt, and a graduate in business economics from the Basle University of applied sciences (FHBB). Mr. LeibundGut is a member of the Boards of Directors of Valartis Group AG and Valartis Asset Management S.A. He is also a member of the Supervisory Board of Valartis Bank (Austria) AG, Vienna.

Kay Reddy, Non-Executive Member (since September 1999)

Kay Reddy is Director of the Blenheim Group of Trust, Insurance and Fund Management Companies in the BVI. She has resided in the British Virgin Islands since 1987, where she previously held the position of a Managing Director of Barclays Private Bank and Trust (BVI) Limited and, prior to that worked with Deloitte & Touche and Ansbacher (BVI) Limited. She holds a degree in mathematics, operations research, statistics and economics from Warwick University, Coventry, UK. Mrs. Reddy is a Fellow of the Institute of Chartered Accountants in England and Wales, a member of the Society of Trust & Estate Practitioners and a member of the Institute of Directors.

Other activities and functions

See section "Members of the Board of Directors"

Cross involvement

See section "Members of the Board of Directors" regarding Gustav Stenbolt and Philipp LeibundGut

Election and term of office

The directors are elected by the general meeting of shareholders for such terms as the shareholders meeting may determine. Currently, all directors have been elected for an undetermined period. The year of first election is detailed in the section "Members of the Board of Directors".

Internal organisational structure

Board meetings take place as often as business requires and generally once per quarter at such place as the directors shall decide. Such meetings may take place by conference call. Their duration depends on the list of items on the agenda. As the Company's investment guidelines foresee that all investments above US$ 10 million must be approved by the Board of Directors, all significant investment proposals are discussed on the Board level.

As of 30 June 2009, the Board of Directors has not formed any committees.

At the beginning of each meeting, a Chairman is elected by the members. According to art. 11.8 of the Company's Articles of Association, questions arising at any meeting shall be decided by a majority of votes. In case of any equality of votes, the Chairman will have a second or casting vote.

Definitions of areas of responsibility

The Board of Directors is responsible for managing the business affairs of the Company in accordance with the Company's Memorandum and Articles of Association. The day to day management, however, has been delegated to Eastern Property Management Ltd, which appoints and provides the Company's Management Committee. Therefore, the main function of the Board of Directors is the supervision of the Company's management and investments.

Information and control instruments

The Management Committee reports to the Board of Directors on a regular basis and provides an update on the development of investments and new investment targets. Furthermore, the investment strategy, as laid down in the Company's Investment Guidelines, is reviewed on the level of the Board of Directors. As explained in the "Internal organisational structure" section above, all major investments must be approved by the Board of Directors.

Management Committee

Members of the Management Committee

As of 30 June 2009, the Company's Management Committee is composed as follows:

Terry Olin

Terry Olin is responsible for corporate operations and corporate finance at EPH. He has fifteen years of Russian investment experience, of which eight years were spent living and working in Moscow. Mr. Olin is a Managing Director at Valartis Asset Management SA. Prior to joining the Valartis Group in 2002, he was a partner at Brunswick Emerging Markets in Stockholm, Sweden, responsible for emerging European markets, and before joining Brunswick was a Director at Russian investment bank Troika Dialog in Moscow. He is a member of the Management Board of the European Public Real Estate Association (EPRA)

Alexander Nikolaev

Alexander Nikolaev is responsible for execution of the Company's projects and acquisitions, and management of the Moscow and St. Petersburg-based project management and property operations team. Mr. Nikolaev is Managing Director of Valartis Group's Russia and CIS operations. After graduating from Moscow State University for Foreign Affairs he was Head of Russian and CIS operations for Smith Management LLC, a U.S. private investment corporation. He has over thirteen years of experience in real estate development, and managing investments in private and public equity.

Yulia Makhinova

Yulia Makhinova is responsible for accounting and financial review, and financial reporting for the Company's subsidiaries. Ms. Makhinova is Chief Financial Officer in the Moscow office of Valartis Group. She began her career as a tax adviser with PricewaterhouseCoopers in Moscow. Prior to joining Valartis Group she was Chief Accountant at the Moscow office of Skanska East Europe. Ms. Makhinova is a graduate of the Russian State Financial Academy, and a Chartered Public Accountant.

Medina Dietz

Medina Dietz is responsible for property operations, commercialisation, and tenant relations. She has over thirteen years of construction and real estate management experience in Russia. Prior to joining Valartis

Group in 2004, Ms. Dietz was a Moscow-based member of the Management Team of WestGkA, a division of WestLB focused on commercial real estate. Before joining WestGkA, she was with Austrian construction company Wohnreform, and prior to that with Macu lan International.

Andrey Zarechensky

Andrey Zarechensky is responsible for project management and technical management of EPH's development activities and properties. Prior to joining the Company, Mr. Zarechensky accumulated more than twenty years of experience in this field, having worked most recently in a senior role at British Petroleum.

Other activities and vested interest

See section "Members of the Management Committee"

Management contracts

Pursuant to the Real Estate Management Agreement entered into on 15 September 2003, the Company appointed Eastern Property Management Limited (EPML) as discretionary manager of all activities of the Company. On a day-to-day basis, EPML manages the Company's real estate business, in particular the search and identification of properties for investment purposes, the acquisition and disposal of properties, the management and supervision of the Company's properties and other assets and the sourcing and management of development projects on behalf of the Company. EPML also manages all related field activities.

The Real Estate Management Agreement has been concluded for an indefinite period of time. It may be terminated by thirty days' written notice prior to the end of any calendar quarter. In the event of its termi nation by the Company, other than on the grounds of gross negligence or willful misconduct, EPML will be entitled to material compensation of an amount equal to three times the total fees paid to EPML for the proceeding business year.

Under the terms of the Real Estate Management Agreement, EPML is entitled to a Management Fee of 2% of the Company's adjusted Net Asset Value, payable quarterly in arrears. The adjustment to the Net Asset Value relates to an addition of the nominal amount of all outstanding debt convertible into shares of the Company, if any. The Management Fee includes the remuneration for the Management Committee.

Costs not included in the Management Fee are costs of third parties, out-of-pocket expenses incurred by EPML in carrying out the investigative and due diligence analysis required in pursuing likely investment opportunities, in negotiating, signing and closing investment contracts, and in monitoring existing investments and costs relating to the general administration of the Company, which is provided by the company secretary and administrator.

EPML is entitled to receive a Performance Fee equal to 15% of the value appreciation of the Company's properties, property developments, and financial investments over the financial year, based on the valuation underlying the audited annual financial statements of the Company in accordance with IFRS; provided that the value of such holdings exceeds (i) its original level or (ii) if EPML has previously earned a performance fee, the level which last entitled EPML to a performance fee (high water mark).

The Performance Fee is payable only if the value of the Company's holdings appreciates and the resulting appreciation has been realised (in whole or in part) through a sale, partial sale, refinancing or a similar transaction with respect to one or more of the Company's holdings. Until such realisation, any accruals of the Performance Fee will be reflected in the Company's Balance Sheet as a provision for liabilities and charges.

The Company's auditors will verify the calculations of the Management Fee and of the Performance Fee in the course of their audit of the Company's consolidated annual financial statements.

Furthermore, on 01 November 2008, Connecta GmbH & Co. KG, which owns Berlin House in Moscow, entered into a Property Management Agreement with the Moscow branch of Valartis International Limited, while, on 01 October 2008, Petrovsky Fort LLC, which owns Petrovsky Fort in St. Petersburg, entered into a similar agreement with the St. Petersburg branch of Valartis International. Under these contracts, Valartis International will provide each company with property management services.

Fees payable under the above mentioned agreements equal US$ 39,000 per month for Connecta GmbH & Co. KG, with a 20% premium on the difference between actual semiannual net profits of the company and US$ 2.7 million. For Petrovsky Fort LLC, the monthly management fee is equal to RUB 6.08 million, with a 15% premium on the difference between actual annual net profits of the company and RUB 170 million, while a 20% premium is charged on the actual annual profits of the company exceeding RUB 190 million. If the fees paid under these contracts exceed the actual costs incurred by Valartis International to provide the required services, any excess will be applied to the Management Fees charged by EPML.

On 1 May 2008, Eastern Property Partners LP, Eastern Property Partners II LP, and Geneva House LP entered into Advisory Agreements with Valartis Asset Management SA, under which each partnership pays annual advisory fees equaling 2% of total assets. Any amounts paid to Valartis Asset Management under these agreements are subtracted from the Management Fees to be paid to EPML.

Compensations, Shareholdings and Loans

Content and method of compensation

All directors are remunerated by means of a fixed compensation, payable once a year. There are no share-ownership programs or stock option plans in place. Furthermore, it is the Company's policy not to pay remuneration to directors which are also officers of EPML or Valartis Group.

Compensation for acting members of governing bodies

During the period under review, US$ 10,760 was paid to former board member Jan Eckert as director's fees for the 2008 calendar year.

The Company's management is remunerated by EPML. For the period under review, a total amount of US$ 3.87 million was or will be paid to EPML (see also Note 19 to the Interim Financial Information).

There were no severance payments made to persons who discontinued their functions during the period.

Share allotment in the year under review

The Company did not allot any shares in the period under review.

Share ownership

The members of the Company's Board of Directors, the members of the Company's Management Committee and parties closely linked to such persons held 2,026,001 shares in the Company as of 30 June 2009. Parties closely linked to Gustav Stenbolt, Member of the Board of Directors, held 1,606,501 shares in the Company. Parties closely linked to Serge de Pahlen, Member of the Board of Directors, held 416,000 shares in the Company. Terry Olin, Member of the Management Committee, held 3,500 shares in the Company.

Options
The members of the Company's Board of Directors, the members of the Company's Management Committee and parties closely linked to such persons did not hold any options on shares of the Company as of 30 June 2009.

Additional fees and remuneration
No additional fees and remunerations were paid to members of the Board of Directors during the period under review.

Loans to members of governing bodies
The Company did not grant any loans to members of the Board of Directors.

Shareholders' Participation

Voting rights
Each fully paid up registered share carries one vote at shareholders' meetings. The shareholder register is maintained and administrated by SIX SAG Ltd, Baslerstrasse 90, CH 4601 Olten. According to art. 4.4 of the Articles of Association all rights and obligations attaching to a Treasury Share, for example to rights to vote and receive dividends, are suspended and shall not be exercised by the Company while it holds the Shares as Treasury Shares. In order to exercise their voting right, shareholders must be registered into the shareholder register.

Shareholders may either represent their shares in person or have them represented by another shareholder. Institutional investors may have their shares represented by the proxy of their choice.

Statutory quorums
A resolution of the General Meeting of Members (shareholders' meeting) approved by at least two thirds of the represented share votes is required for:
1. A change of the purpose of the Company
2. The dissolution of the Company followed by liquidation

Convocation of shareholders' meetings
The Company is required to hold an annual general shareholders' meeting in London, UK. The convening of the general meeting of shareholders shall take place by giving notice at least 20 days prior to the day of the meeting, and specifying the place, the day and the hour of the meeting. The convening notice shall state the agenda as well as the shareholders' proposals. Extraordinary shareholders' meetings shall be called as often as necessary and shall also be held in London, UK. The directors shall convene an extraordinary share-holders' meeting upon the written request of the members holding more than 10% of the outstanding voting shares of the Company.

Agenda
Shareholders holding more than 10% of the vote of the outstanding shares in the Company may request in writing that additional items be added to the proposed agenda.

Inscriptions into the share register
The deadline for the inscription of registered shares into the shareholder register in view of their participation in the general meeting of shareholders is 20 days prior to the day of the meeting.

Change of Control and Defense Measures

Duty to make an offer

The Company's Memorandum and Articles of Association do not provide for rules on take-over. As a foreign entity, the Company is not subject to SESTA rules.

Clauses on change of control

The Company has entered into agreements which trigger financial consequences in the case of a change of control.

Auditors

Duration of the mandate and term of office

PricewaterhouseCoopers SA are the statutory auditors of the Company since the year 2004.

Supervisory and control instruments

The auditors are supervised by the Company's Board of Directors, and delegates of the Board of Directors are in contact with the auditors on an ongoing basis.

Information Policy

Financial statements can be requested in writing free of charge from the following address:

Eastern Property Holdings Limited
Investor Relations
c/o Valartis Asset Management
2–4 Place du Molard
1204 Geneva
Switzerland
Phone: +41 22 716 10 00
Fax: +41 22 716 10 01

Furthermore, recent financial statements, press releases and the Investment Guidelines are available on the Company's website *www.easternpropertyholdings.com.* Audited reports are published on an annual basis per 31 December. In addition, the Company publishes an unaudited half year report.

Financial Report

Contents

Condensed Consolidated Statement of Financial Position as of 30 June 2009

in US$

	Note	30.06.2009	31.12.2008
Assets			
Non-current assets			
Investment properties	7	259,598,792	260,717,050
Assets under development	8	38,588,856	72,398,718
Financial investments	9	27,850,000	22,309,600
Investment in associates	10	44,152,212	52,749,164
Loans and receivables	11	–	30,746,692
Advance for land lease		1,658,670	1,598,533
Furniture and equipment		52,590	64,551
Total non-current assets		371,901,120	440,584,308
Current assets			
Accounts receivable		4,188,818	2,818,381
Advance payment		484,874	1,020,854
Loans and receivables	11	63,847,733	24,302,197
Other current assets		517,798	41,683
Prepaid taxes		857,809	749,366
Cash & cash equivalents	20	17,106,144	8,979,168
Total current assets		87,003,176	37,911,649
Total assets		458,904,296	478,495,957
Equity			
Share capital		414,418,955	414,418,955
Treasury shares		– 29,377,773	– 15,645,708
Share premium		74,761,596	74,761,596
Retained Earnings/(Accumulated deficit)		– 84,062,457	– 46,773,274
Other reserves		718,340	718,340
Cumulative translation adjustment		– 19,532,269	– 12,475,006
Total shareholders' equity		356,926,392	415,004,903
Minority interests		638,248	769,687
Total equity		357,564,640	415,774,590
Liabilities			
Non-current liabilities			
Borrowings and other non-current liabilities	13	84,903,586	43,467,554
Provisions for long term liabilities and charges	14	4,220,721	7,649,981
Total non-current liabilities		89,124,307	51,117,535
Current liabilities			
Borrowings		3,074,671	2,993,725
Accounts payable and accrued expenses		7,908,324	8,306,768
Provisions for liabilities and charges	14	106,453	79,929
Property tax		212,644	219,694
Bank overdraft	20	913,257	3,716
Total current liabilities		12,215,349	11,603,832
Total liabilities and equity		458,904,296	478,495,957

* The notes are an integral part of this interim financial information.

Condensed Consolidated Income Statement for the half year ended 30 June 2009

in US$

	Note	30.06.2009	30.06.2008
Rental income			
Gross rental income		8,780,360	10,010,081
Ground rents paid		– 128,414	– 146,742
Service charge income on principal basis		1,215,316	1,257,769
Service charge expenses on principal basis		– 1,394,152	– 1,847,636
Property operating expenses		– 688,908	– 654,908
Repair and maintenance costs		– 200,118	– 403,860
Non-income taxes		– 468,555	– 653,591
Net rental income		7,115,529	7,561,113
Administrative expenses			
Performance fees		– 3,429,260	1,806,267
Management fees		3,866,696	5,315,781
Professional and administration fees		1,018,342	613,058
Salaries and social charges		171,288	170,229
Total administrative expenses		1,627,066	7,905,335
Other income / (expenses)			
Interest income		3,591,832	6,520,013
Other income		3,267	1,445,610
Other operating expenses		– 364,385	– 258,709
Depreciation		– 11,084	– 16,686
Net gain from foreign currency translation		– 1,497,325	8,695,049
Net other income		1,722,305	16,385,277
Valuation movements			
Net gain from fair value adjustment on financial investments	9	– 2,706,727	163,287
Net loss from fair value adjustment on investment properties	7	– 28,249,988	– 1,145,899
Valuation movements		– 30,956,715	– 982,612
Development property impairment		– 1,494,307	–
Net operating (loss)/ profits before finance cost		– 25,240,254	15,058,443
Finance costs		– 5,740,096	– 1,929,492
Share of associates' gain/ (loss)		– 7,231,169	705,748
(Loss)/ profits before taxes		– 38,211,519	13,834,699
Income taxes		790,896	– 368,724
Net (loss) / Profit for the period		– 37,420,623	13,465,975
Earnings per share for profit attributable to equity holders of the Company during the period			
Basic and diluted	6	– 8.23	2.81

* The notes are an integral part of this interim financial information.

Condensed Consolidated Statement of Comprehensive Income for the half year ended 30 June 2009

in US$

	Note	30.06.2009	30.06.2008
Net (loss)/ profit for the period			
Net (loss)/ profit for the period		– 37,420,623	13,465,975
Other comprehensive (loss)/ income for the period			
Exchange (loss)/ gain on translation of financial statements of foreign operation		– 7,057,263	6,373,602
Total comprehensive (loss)/ income for the period		– 44,477,886	19,839,577
Comprehensive (loss)/ income attributable for the period			
Owners of the company		– 44,346,447	19,839,577
Minority interest		– 131,439	–
Total comprehensive (loss)/ income for the period		– 44,477,886	19,839,577

* The notes are an integral part of this interim financial information.

Condensed Consolidated Statement of Cash Flow the Half Year Ended 30 June 2009

in US$

	Note	30.06.2009	30.06.2008
Cash flows from operating activities			
Net (loss)/ profit for the period		– 37,420,622	13,465,975
Net (gain) from foreign currency translation		1,497,325	– 8,695,049
Net unrealised loss/ (gain) on investment properties	7	28,249,987	1,145,899
Net unrealised loss/ (gain) on development properties		1,494,307	–
Net unrealised gain on financial investments	9	2,706,727	– 163,287
Depreciation		11,084	16,686
Interest income accrued		– 3,591,832	– 6,520,013
Share of associates' gain/ (loss)	10	7,231,169	– 705,748
Finance costs accrued		5,740,096	1,929,492
Cash generated from operations		5,918,241	473,955
Increase / decrease in receivables and other current assets			
(Decrease) / increase in payables and other current liabilities		– 1,026,568	5,022,781
Decrease in long term and other non current liabilities		– 3,999,955	– 4,178,546
Increase in receivables and other current assets		– 1,954,995	– 2,506,982
Cash used in operations		– 1,063,277	– 1,188,792
Interest income received		60,667	1,796,529
Income tax paid		–	–
Net cash (used in) / generated from operating activities		– 1,002,610	607,737
Cash flows from investing activities			
Purchase of investment in associate	10	–	– 58,422,861
Purchase of financial instruments	9	– 5,540,400	– 2,503,440
Investments in development property		– 4,343,276	– 6,585,419
Loans granted	11	– 3,646,509	– 24,056,909
Interest-free loan granted to associate	10	–	– 5,180,000
Net cash used in investing activities		– 13,530,184	– 96,748,629
Cash flows from financing activities			
Finance costs		– 2,616,313	– 365,608
Purchase of treasury shares		– 13,732,065	– 7,474,874
Proceeds from borrowings		38,059,795	–
Repayment of borrowings		– 700,000	– 400,000
Dividend paid		–	– 3,593,969
Net cash generated from / (used in) financing activities		21,011,417	– 11,834,451
Net change in cash and cash equivalents		6,478,623	– 107,975,343
Cash & cash equivalents at beginning of the period		8,975,452	150,908,585
Net gain from foreign currency translation		738,812	3,108,204
Cash & cash equivalents at the end of the period	20	16,192,887	46,041,445

* The notes are an integral part of this interim financial information.

Condensed Consolidated Statement of Changes in Equity for the Period Ended 30 June 2009

in US$

	Ordinary share capital	Treasury shares	Share premium	Accumulated deficit
Balance as at January 1, 2008	414,418,955	– 8,170,834	74,662,619	29,517,766
Total comprehensive income for the period	–	–	–	13,465,975
Acquisition during the period	–	– 7,474,874	98,977	-
Dividend relating to 2007	-	–	–	– 3,593,969
Balance as at June 30, 2008	414,418,955	– 15,645,708	74,761,596	39,389,772
Total comprehensive income for the period	-	-	-	– 86,163,046
Balance as at December 31, 2008	414,418,955	– 15,645,708	74,761,596	– 46,773,274
Total comprehensive income for the period	-	-	-	– 37,289,183
Acquisition during the period	-	– 13,732,065	–	-
Balance as at June 30, 2009	414,418,955	– 29,377,773	74,761,596	– 84,062,457

in US$

	Other reserves	Currency translation adjustment	Total shareholders' equity	Minority interests	Total equity
Balance as at January 1, 2008	718,340	15,996,401	527,143,247	–	527,143,247
Cumulative translation adjustment	-	6,373,602	6,373,602	–	6,373,602
Total comprehensive income for the period	-	-	13,465,975	–	13,465,975
Acquisition during the period	-	-	– 7,375,897	–	– 7,375,897
Dividend relating to 2007	-	-	– 3,593,969	–	– 3,593,969
Balance as at June 30, 2008	718,340	22,370,003	536,012,958	–	536,012,958
Cumulative translation adjustment	-	– 34,845,009	– 34,845,009	–	– 34,845,009
Total comprehensive income for the period	-	–	– 86,163,046		– 86,163,046
Acquisition during the period	-	–	–	769,687	769,687
Balance as at December 31, 2008	718,340	– 12,475,006	415,004,903	769,687	415,774,590
Cumulative translation adjustment	-	– 7,057,263	– 7,057,263	–	– 7,057,263
Total comprehensive income for the period	-	–	– 37,289,183	– 131,439	– 37,420,622
Acquisition during the period	-	–	– 13,732,065	–	– 13,732,065
Balance as at June 30, 2009	718,340	– 19,532,269	356,926,392	638,248	357,564,640

* The notes are an integral part of this interim financial information.

Selected Notes to the Interim Financial Information as of 30 June 2009

1. Incorporation and Activity

Eastern Property Holdings Limited (the "Company") and its subsidiaries (together the "Group") is a real estate investment and development company with a focus on Russia, the CIS, and other formerly socialist countries or their successors in Central or Eastern Europe. The Company is a limited liability company pursuant to the BVI Business Company Act 2004 of Virgin Islands. The Company's registered offices are located at Blenheim Trust (BVI) Limited, P.O. Box 3161, Road Town, Tortola, British Virgin Islands.

The Company is listed on the SIX Swiss Stock Exchange.

The Company's mandate is defined as follows:

- To invest its assets in real estate, both in existing properties as well as in real estate development projects, which can be done directly or through subsidiaries or participation in other companies;
- to hold participations in all kind of companies with real estate related activities; and
- to provide real estate financing, sale and lease back of real estate, real estate management and to engage in all other real estate related activities; and
- to enter into all kind of financial transactions which it may think conducive to development of all or any of the above subjects; and
- to engage in any other business or in any acts or activities, which are not prohibited under any law for the time being in force in the British Virgin Islands.

The condensed consolidated interim financial information as of 30 June 2009 have been approved for issue on 30 September 2009.

2. Basis of Preparation

This condensed consolidated interim financial information for the six months ended 30 June 2009 has been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2008, which have been prepared in accordance with IFRS.

3. Accounting Policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2008, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Functional and reporting currency

The functional currency of the parent company is the US dollar (US$). The functional currency of the Group's major subsidiaries is the Russian ruble (RUB). Items included in the interim financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates.

The Company's shares are listed on the SIX Swiss Exchange in US dollars. Therefore, the Group uses the US dollar as its presentation currency.

New standards, amendments and interpretations

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009:

- IAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement.

  Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

  The Group has elected to present two statements: an income statement and a statement of comprehensive income. The interim financial information has been prepared under the revised disclosure requirements.

- IFRS 8, 'Operating segments'. IFRS 8 replaces IAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented.

  Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Management Committee.

- IAS 23 (amendment), 'Borrowing costs'. The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. This has no material effect to the Group.
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- IFRS 7 'Financial Instruments: Disclosures' (amendment): The amendment requires disclosures of financial instruments measured at fair value to be based on a three-level fair value hierachy that reflects the significance of the inputs in such fair value measurements. It also requires additional qualitative and quantitative disclosures of liquidity risk. The amendment to IFRS 7 is not relevant to interim reporting but will be incorporated in the annual financial statements of the Group.
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The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009, but are not currently relevant for the Group.

- IFRS 2 (amendment), 'Share-based payment'.
- IAS 32 (amendment), 'Financial instruments: Presentation'.
- IFRIC 13, 'Customer loyalty programmes'.
- IFRIC 15, 'Agreements for the construction of real estate'.
- IFRIC 16, 'Hedges of a net investment in a foreign operation'.
- IAS 39 (amendment), 'Financial instruments: Recognition and measurement'.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2009 and have not been early adopted:

- IFRS 3 (revised), 'Business combinations' and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates' and IAS 31, 'Interests in joint ventures', effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. Management is assessing the impact of the new requirements regarding acquisition accounting, consolidation, joint ventures and associates on the Group.

  The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the minority interest in the acquiree either at fair value or at the minority interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (revised) to all business combinations from 1 July 2009.

- IFRIC 17, 'Distributions of non-cash assets to owners', effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.

- IFRIC 18, 'Transfers of assets from customers', effective for transfers of assets received on or after 1 July 2009. This is not relevant to the Group, as it has not received any assets from customers.

4. Segment information

The Chief Operating Decision Maker at the Group has been identified as the Management Committee, which has been given responsibility for allocating the Group's resources between its various assets, and operating the Group on a day to day basis under the Real Estate Management Agreement.

The Management Committee has access to detailed financial reports for all the Group's assets and evaluates the performance of each on an individual basis. Based on the shared natures of products and services, production processes, type of customer, distribution methods, and regulatory environment, the Group's assets have been aggregated into four operating segments:

1. Rental Properties which consist of:

- 99.9% of two commercial properties
- 97.3% of a commercial property

Rental Properties generate rental income and incur expenses primarily for maintenance and building operations. The Group's Rental properties are in Russia's two largest cities; Moscow and St. Petersburg, and are comprised predominantly of office space, with a smaller amount of retail space in two of the three properties. The assets are kept at fair value, which is generally based on the leases in place and market-wide valuation criteria (yields, reversion rents).

The Rental Properties segment generates product or service-based recurring revenues by providing commercial premises for which rental income is received. Gross and net rents for the Segment are reflected as such in both the Consolidated Income Statement and accounts presented by segment.

Two tenants account for over 10% each of revenues of the Rental Properties segment. One such tenant's annual rent under the lease in effect at the end of the period under review would be US$ 2.75 million ($1.38 million for the period), and the other's would be US$ 2.35 million ($1.18 million for the period).

2. Development properties which consist of:

- 97.3% of a land plot in Russia for development
- 50% of a joint venture which will acquire a commercial property in Moscow when completed
- 50% of a company with certain rights to the development of parking garages in Moscow
- 48.6% of a joint venture to develop two mixed-use properties in Moscow

Development properties generate revaluation gains and losses, also based on certain dynamics (cost and availability of financing to developers, risk appetite, stage of completion) which are shared by all projects, yet different from those impacting Rental Properties. The Group's Development assets are in or near Russia's two largest cities; Moscow and St. Petersburg. Development properties reflect a mixture of properties which, when completed, will either be retained and held as Rental properties, or will be, in the course of business held for sale.

3. Passive investments which consist of:

- 26% of a joint venture which develops commercial real estate in Russia
- 10% of a company which owns commercial properties and a food retailer in Russia.

Passive investments represent investments which are minority owned, and not actively managed by the Group. The Passive investment segment is comprised of the real estate and business of the Mosmart retail group and a joint venture to build shopping centers which would be anchored by Mosmart.

4. Development financing which consists of the following loans made to fund development projects:

- Loans to three 50% owned joint ventures
- Loans to a Russian development company and one of its primary shareholders.

Development financing represents interest bearing loans made for the purpose of developing real estate in Russia. The Group's lending has primarily been to joint ventures in which it has ownership interest and the ability to actively protect its interests. In the case in which the Group does not have an active role in the management of the borrowing company, it has secured the right, in case of non-payment, to take a majority stake in the development it has financed. In case of joint ownership of a development project, the amount reflected in the Group's accounts is that portion which is not an eliminated in consolidation.

Development financing generates interest income for the Group.

All of the Group's Rental properties, Passive investments, and Development projects are in Russia, as are the assets securing the Group's Development financing.

Information provided to the Management Committee is measured in a manner consistent with that in the financial statements.

Revenue of the Group by operating activities for the periods is as follows:

in US$

	30.06.2009					
	Rental property	Development properties	Passive investment	Development financing	Other	Total
Gross rental income	8,780,360	–	–	–	–	8,780,360
Net rental income	7,115,529	–	–	–	–	7,115,529
Interest income	–	–	–	3,531,164	60,667	3,591,831
Valuation movements	– 30,988,029	31,315	–	–	–	– 30,956,714
Development property impairment	–	– 1,494,307	–	–	–	– 1,494,307
Finance costs	– 5,270,530	–	–	–	– 469,566	– 5,740,096
Net (loss) / profit for the period	**– 29,442,647**	**– 6,755,928**	**– 4,755,818**	**3,531,164**	**2,606**	**– 37,420,623**

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in US$

	30.06.2008					
	Rental property	Development properties	Passive investments	Development financinig	Other	Total
Gross rental income	10,010,081	–	–	–	–	10,010,081
Net rental income	7,561,113	–	–	–	–	7,561,113
Interest income	–	–	–	3,987,511	2,532,503	6,520,014
Valuation movements	– 1,145,899	–	163,287	–	–	– 982,612
Finance costs	– 1,746,093	–	–	–	– 183,399	– 1,929,492
Net (loss) / profit for the period	**3,364,939**	**– 18,416**	**887,451**	**3,987,511**	**5,244,491**	**13,465,976**

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The Management Committee also assesses the performance of operating segments based on the results of valuation of the respective assets.

	Asset valuation as of 30 June 2009					
	Rental properties	Development properties	Passive investment	Development financing	Other	Total
Investment properties	143,163,917	116,434,875				259,598,792
Assets under development		38,588,856				38,588,856
Financial investments			20,350,000		7,500,000	27,850,000
Investment in associates		36,162,712	7,989,500			44,152,212
Loans and receivables				63,847,733		63,847,733
Other Assets					24,866,703	24,866,703
Total Portfolio	**143,163,917**	**191,186,443**	**28,339,500**	**63,847,733**	**32,366,703**	**458,904,296**

	Asset valuation as of 31 December 2008					
	Rental properties	Development properties	Passive investment	Development financing	Other	Total
Investment properties	176,934,773	83,782,277				260,717,050
Assets under development		72,398,718				72,398,718
Financial investments			20,350,000		1,959,600	22,309,600
Investment in associates		39,635,882	13,113,282			52,749,164
Loans and receivables				55,048,889		55,048,889
Other Assets					15,272,536	15,272,536
Total Portfolio	**176,934,773**	**195,816,877**	**33,463,282**	**55,048,889**	**17,232,136**	**478,495,957**

5. Critical Accounting Estimates and Judgments

The preparation of interim financial information requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimate of fair value of investment properties

The fair value of each investment property is individually determined at each balance sheet date by independent valuers based on a market value assessment. The valuers have relied on discounted cash flow analysis, capitalisation of income, residual value, and direct comparison methodologies. Discounted cash flow and income capitalisation approaches are based upon estimates of future results and a set of assumptions specific to each property to reflect its tenancy and cashflow profile. The residual value approach uses assumptions as to what a property would be worth if it currently existed, the costs involved in realising the asset, and what profit an acquirer would require in order to accept the risks involved. The direct comparison approach involves incomplete information on other transactions and price adjustments for quality and location which can, at best, be approximately quantified. Had a different assessment been made of the assumptions underlying the valuation report, the recorded fair values of the property development rights would have been higher or lower as at the date of valuation.

In the case of assets which are not currently in use for a specific purpose, for example as rental property, the valuers have made assumptions as to how an asset can or will ultimately be utilised, using the principle of highest and best use. In case the Group chooses to develop, complete, or employ an asset in a way which differs from the valuers assumption, a future valuation reflecting the different use may be significantly different.

Management has reviewed the appraisers' assumptions underlying the models used in the valuation, and confirmed that factors such as the discount rate and market rents applied have been appropriately determined considering the market conditions at the balance sheet date. Notwithstanding the above, there has been little or no transactional evidence to support these assumptions so management considers that the valuation of its investment properties is currently subject to an increased degree of judgement and an increased likelihood that actual proceeds on a sale may differ from the carrying value.

The Group uses assumptions that are mainly based on market conditions existing at each balance sheet date.

i) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as the receipt of contractual rents; expected future market rents; void periods; maintenance requirements, estimated cost of constructions, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows;
ii) Certain properties for/ under development require additional permission or permits from the Russian authorities. In these case, assumptions are made by the valuer in their valuation that all the required planning, construction permits and state registration will be secured, and will comply with all municipal and national zoning and planning laws and that the scheme will be completed ;
iii) current prices in other, more active markets for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
iv) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices;

In common with a number of Russian real estate developers, the Group is exposed to certain risks associated with the delay in the commencement and completion of its projects. Certain subsidiaries within the Group have entered into investment contracts. Such investment contracts specify the term during which construction of the relevant project must be completed. These investment contracts include completion deadlines which may already be impossible to meet. The Group's experience is that such deadlines can be successfully renegotiated or extended to meet realistic completion schedules, however, there is no assurance the relevant government agencies will accommodate the Group's future requests. If permission to extend an investment contract is refused, or a contract is terminated, it is possible that compensation will be only nominal, and even that will be substantially delayed. In such a case the Group would lose all its rights in respect of the relevant project and most or all of the investment made in such project to date.

The Group is also exposed to property price and property rentals risk, which are driven by take-up, new construction deliveries and vacancy rates, as well as yield compression or expansion trends, which in turn are driven by macroeconomic and other factors that are largely beyond the Group's control. Moreover, the Russian real estate market involves few transactions, and when properties do change hands, complete information is generally not available. Due to the relatively short history of the Russian property sector, it remains impossible to determine long term averages for rents or capitalisation rates, thus the value of the Group's properties and the rental income which those properties may earn remains uncertain.

Impairment of assets under development

The Group compares the carrying amounts of assets under development to their estimated net realisable value based on assessment of the realisability of these properties, taking into account costs to completion based on past experience and net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates. The fair value of each property for/ under development is determined at each balance sheet date by independent valuers based on a market value assessment.

Certain properties for/ under development require additional permission or permits from the Russian authorities. In such cases, assumptions are made by the valuer in their valuation that all the required planning, construction permits and state registration will be secured, and will comply with all municipal and national zoning and planning laws and that the scheme will be completed.

As a result of the current economic environment and market conditions, valuations are often below acquisition costs, in which case carrying values have been reduced to reflect the lower amount.

Concentration of business risk

As all of the Group's investment projects are related to real estate properties in Russia, the Group's success and ability to remain in business highly depends on the economic situation in Russia. The high level of uncertainty in the global economy is especially notable in Russia, which remains an emerging, resource-based economy.

Internal cashflow analysis has been prepared by the management of the Group to support the going concern assumption in the business. Management used its judgement and made assumptions based on the existing management information and the market conditions existing as at balance sheet date in preparing its internal cashflow analysis. If the assumptions as to the timing and magnitude of future events prove to be inaccurate, the going concern assumption may no longer be applicable. Resources have been re-allocated, business activities re-prioritised, ongoing development activity slowed or stopped, and contingency plans formulated to be sure the Group does not depend on receiving fresh debt or equity capital in order to continue to function as a going concern for the next 12 to 18 months.

In addition to the critical accounting estimates and judgments mentioned above, the significant judgments made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty applied to the consolidated financial statements as at and for the year ended 31 December 2008 remain applicable to this condensed consolidated interim financial information. These critical accounting estimates and judgments may also have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

6. Earnings per Share

Basic earnings per share are calculated by dividing the net income for the period by the weighted average number of shares outstanding during the period. Diluted earnings per share is calculated by dividing the net income for the period by the weighted average number of shares outstanding during the period, adjusted for the effect of dilutive warrants. The Company has not had any warrants outstanding since 2006, so since 2007 there has been no difference between basic and diluted earnings per share.

in US$

	30.06.2009	30.06.2008
Earnings per share		
Net profit attributable to shareholders	– 37,289,183	13,465,975
Weighted average number of ordinary shares outstanding	4,530,794	4,791,979
Earnings per share (US$ per share)	– 8.23	2.81

7. Investment Properties

in US$

	30.06.2009	31.12.2008
Berlin House		
Beginning of the period	82,812,059	103,465,002
Addition	–	–
Revaluation	– 11,485,247	– 20,652,943
Land lease obligations	–	–
End of period	71,326,812	82,812,059

Berlin House

Berlin House is a 13,000 square meter commercial property located at Petrovka Street 5 in Moscow. The building's 7,800 square meters of net rentable space is divided between 5,760 square meters of office space and 2,040 square meters of retail space. Of the eight above-ground floors, six are devoted to office space and two are devoted to retail space. One of the three underground levels contains retail space, and the remaining two contain 62 parking spaces. Berlin House was commissioned in June 2002.

As of 30 June 2009, the vacancy rate as a percentage of total rentable area was, for office space, 0%, and for retail space, 5%. Rental income for the property for the period under review was US$ 3.74 million (June 2008: US$ 4.08 million). The following table indicates the exposure to non-renewals of existing operating leases over the periods indicated:

in US$

	30.06.2009	31.12.2008
Berlin House	(undiscounted amounts)	
No later than 1 year	7,124,069	8,139,178
Later than 1 year and no later than 5 years	14,043,535	18,753,575
Later than 5 years	–	–

As of 30 June 2009, the top five tenants in the building, by net rent paid are Reuters, UFG, Terra LLC, MFK Jamilco and Elikon ZAO. These top five tenants account for approximately 79% of the annual net rent (June 2008: 80%).

Berlin House

Remaining lease term	Percentage of space		Net rent as a percentage of total	
	Office	Retail	Office	Retail
Less than one year	7%	18%	6%	18%
One to five years	93%	82%	94%	82%
More than five years	0%	0%	0%	0%

The fair value of Berlin House was determined to be US$ 71.33 million as of 30 June 2009 (2008: US$ 82.80 million), based on an independent valuation prepared by Knight Frank, Moscow, and adjusted for outstanding land lease obligations with respect to the long-term leasehold land under the property. The valuation was based on discounted cash flow projections, using a discount rate of 10% on net income (31 December 2008: 10%).

Berlin House is held via the subsidiary company Connecta GmbH & Co. KG which uses the RUB as its functional currency and the US$ as its presentation currency. The property is appraised in US$, then converted to RUB for comparison with the prior period. The US$ fair value of the property decreased during the period by US$ 11.49 million (June 2008: increase US$ 3.95), while due to the movements in the US$ / RUB exchange rate from 1 January 2009, the RUB fair value of the property has increased by US$ 2.32 million (June 2008: decrease US$ 4.39 million). The resulting net unrealised loss of US$ 9.16 million has been recognised in the income statement of the Group as at 30 June 2009 (June 2008: gain of US$ 0.44 million).

As of 30 June 2009, Connecta had registered one mortgage on the building which served as collateral for a credit facility in the amount of US$ 40.00 million from Aareal Bank AG, Germany.

in US$

	30.06.2009	31.12.2008
Petrovsky Fort		
Beginning of the period	76,226,754	101,860,919
Addition	–	–
Revaluation	– 16,160,964	– 25,634,165
Land lease obligations	–	–
End of period	60,065,790	76,226,754

Petrovsky Fort

Petrovsky Fort is a 49,000 square meter Class B office and retail building located at Finlyandsky Prospect 4 in central St. Petersburg. The building has nine office and two retail levels and a large central atrium. Of the net rentable space, 15,000 square meters are designated for office use and about 6,000 square meters as retail space. The building has an underground parking facility with 116 parking spaces and an above-ground car park with 33 parking spaces.

As of 30 June 2009, the vacancy rate as a percentage of overall net rentable area was, for office space, 21%, and for retail space, 1%. Rental income for the property for the period under review was US$ 3.86 million (June 2008: US$ 5.93 million). The following table indicates the exposure to non-renewals of existing operating leases over the periods indicated:

in US$

	30.06.2009	31.12.2008
Petrovsky Fort	(undiscounted amounts)	
No later than 1 year	3,929,995	2,781,267
Later than 1 year and no later than 5 years	4,384,864	8,457,568
Later than 5 years	343,744	4,935,322

As of 30 June 2009, the top five tenants in the building, by net rent paid are KIT Finance, Clean Star Europe, Nasha Polyana, RKS Energo, Stroykompleks PKS. These top five tenants account for approximately 21% of the annual net rent (June 2008: 25%).

Petrovsky Fort

Remaining lease term	Percentage of space		Net rent as a percentage of total	
	Office	Retail	Office	Retail
Less than one year	53%	82%	57%	79%
One to five years	34%	15%	32%	18%
More than five years	12%	3%	10%	3%

The fair value of Petrovsky Fort was determined to be US$ 60.07 million as at 30 June 2009 (2008: US$ 76.23 million), based on an independent valuation prepared by Knight Frank, Moscow, and adjusted for outstanding land lease obligations with respect to the long-term leasehold land under the property. The valuation was based on discounted cash flow projections, using a discount rate of 13% on net income (2008: 12%).

Petrovsky Fort is held via the subsidiary company Romsay Properties Limited which uses the RUB as its functional currency and the US$ as its presentation currency. The property is appraised in US$, then converted to RUB for comparison with the prior period. The US$ fair value of the property decreased during the period by US$ 16.16 million (June 2008: increase US$ 3.61 million), while due to movements in US$ / RUB exchange rate from January 2009, the RUB fair value of the property has increased by US$ 2.46 million (June 2008: decrease US$ 4.32 million). The net unrealised loss of US$ 13.70 million has been recognised in the income statement of the Company as at 30 June 2009 (June 2008: loss of US$ 0.71 million).

As of 30 June 2009, Petrovsky Fort LLC had registered one mortgage on the building which served as collateral for a credit facility in the amount of US$ 40.00 million from Unicredit Bank Austria AG, Austria.

in US$

	30.06.2009	31.12.2008
Magistralnaya		
Beginning of the period	17,895,961	–
Addition	–	17,800,000
Revaluation	– 6,132,051	–
Land lease obligations	7,405	95,961
End of period	11,771,315	17,895,961

Magistral'naya

Magistral'naya is an operational Class B office complex of three buildings with a total combined area of 3,222 square meters and leasehold rights in three conjoined land plots, located at the intersection of Zvenigorodskoye Highway and the 3rd Transport Ring Road.

As of 30 June 2009, the whole office complex was occupied by one tenant "International Building & Industrial Association "MOSSIB", under the lease agreement expiring on September 30, 2009. The exposure to non-renewal of the existing lease is equal to US$ 620,252

Magistral'naya was held via a subsidiary Inspetsstroy LLC which is owned 100% by Eastern Property Partners LP ("EPP"). EPP was accounted for as Financial investments as at 30 June 2008 and the value of the property was reflected in Financial investments and the revaluation effect was reflected in revaluation of Financial investments. As at 31 December 2008 and as of 30 June 2009, EPP has been consolidated into the Group, and the Magistral'naya property was classified as Investment property.

The fair value of Magistral'naya was determined to be US$ 11.77 million as of 30 June 2009 (2008: US$ 17.90 million) based on an independent valuation prepared by DTZ, which was adjusted only for outstanding land lease obligations with respect to the long-term leasehold land under the property. The valuation was based on discounted cash flow projections, using a discount rate of 14% on future income (2008:13%).

Magistral'naya is held via the subsidiary company Housefar Limited, which uses the RUB as its functional currency and the US$ as its presentation currency. The property is appraised in US$, then converted to RUB for comparison with the prior period. The US$ fair value of the property decreased during the period by US$ 6.13 million, while due to movements in US$ / RUB exchange rate from January 2009, the RUB fair value of the property has increased by US$ 0.72 million. The net unrealised loss of US$ 5.42 million has been recognised in the income statement of the Group as at 30 June 2009.

Properties under development

in US$

	30.06.2009	31.12.2008
Geneva House		
Beginning of the period	55,945,000	–
Addition	3,423,340	29,953,537
Revaluation	– 4,253,340	25,991,463
Land lease obligations	–	–
End of period	55,115,000	55,945,000

Geneva House

Geneva House is a 16,500 square meter commercial property at 7 Petrovka Street in Moscow. The main construction works related to the property are officially completed and the completion of finishing works will take place by the end of 2009. At 30 June the Group was in the process of registering title to the property. The building has more than 10,400 square meters of net rentable space divided between 7,400 square meters of office space and 3,000 square meters of retail space. Of the eight above-ground floors, six are devoted to office space and two are devoted to retail space. One of the four underground levels contains retail space, and the remaining three contain 140 parking spaces.

Geneva House was held via EPH Real Estate Limited which is a 50 % joint venture company of the Group. Prior to 31 December 2008, funding incurred for the construction of Geneva House is accounted for as an Advance Payment.

The fair value of the Group's 50% interest in Geneva House was determined to be US$ 55.11 million as of 30 June 2009 (2008: US$ 55.95 million) based on an independent valuation prepared by DTZ. As the building was not leased at 30 June 2009, it remained suitable for either an owner occupier or an investment buyer. Given the uncertainty as to when and at which level rental income would follow, it was determined that the property would be most attractive to an owner-occupier and the comparable method was applied for valuation, rather than a discounted cash flow projection.

Rights to Geneva House were held by EPH One, which in turn is owned by EPH Real Estate, a 50% subsidiary of the Group. EPH Real Estate uses the RUB as its functional currency, but the appraised value of the property is determined in US$. During the period under review, the fair value of the property has increased by US$ 1.69 million as a result of exchange rate movements and has decreased by a fair value appreciation for the period of US$ 4.25 million.The resulting net unrealised loss of US$ 2.56 million has been recognised in the income statement of the Group as at 30 June 2009.

in US$

	30.06.2009	31.12.2008
Multi-use complexes		
Beginning of the period	27,837,277	–
Addition	179,626	27,837,277
Revaluation	– 8,967,028	–
Land lease obligations	–	–
End of period	19,049,875	27,837,277

Multi-use complexes in the center of Moscow

In 2007 the Group acquired two Russian subsidiaries through its 50 % joint venture company Bluestone Investments Limited, which is held through Eastern Property Partners LP. These two companies own the rights to two construction and development projects in the historical district in the center of Moscow. The projects represent the construction of two multi-use buildings of approximately 27,000 and 11,000 square meters. Each contains retail premises and residential apartments with underground parking. In each property, apartments, which are intended for sale, are recognised as Assets under development (Note 8) and retail premises, which are intended for future use as rental property is recognised as Investment Property. The fair value of the retail premises was determined to be US$ 19.05 million as of 30 June 2009 (2008: US$27.84 million) based on an independent valuation prepared by DTZ, which was allocated between retail and residential apartments proportionately, based on estimated future revenues. The DTZ valuation was based on discounted cash flow projections, using a discount rate of 10.5% on net income (31 December 2008: 10%) and adjusted for anticipated costs of completion.

Bluestone Investments is 50% owned by Eastern Property Partners LP ("EPP"). EPP was accounted for as Financial Investments as at 30

June 2008. The value of the property was reflected in Financial Investments and the revaluation effect was reflected in revaluation of Financial investments. As at 31 December 2008 and as of 30 June 2009, EPP has been consolidated into the Group, and the portion of the Multi-use Complexes which are intended for future use as rental property were classified as Investment Property.

Bluestone Investments Limited uses the RUB as its functional currency, but Multi-use Complexes is appraised in USD. For the period under review, the US$ fair value of the property has decreased by US$ 8.97 million, but due to exchange rate movements saw an offsetting positive exchange rate effect of US$ 1.00 million. The net result valuation and exchange rate movements for the period is an unrealised loss of US$ 7.96 million, which has been recognised in the income statement of the Group as at 30 June 2009.

Land plots in St. Petersburg

in US$

	30.06.2009	31.12.2008
Land		
Beginning of the period	–	–
Addition	31,930,721	–
Revaluation	10,339,279	–
Land lease obligations	–	–
End of period	42,270,000	–

Through its subsidiary Idelisa, the Group owns three land plots with total area of 103 hectares near St. Petersburg. As of 31 December 2008 the land plots were treated as Assets under Development and carried at cost. On 29 April 2009 the EPH Board of Directors decided to hold the land plots for currently undetermined future use. The land plots are treated as Investment Property as of 30 June 2009.

The fair value of the land plots was determined to be US$ 42.27 million as of 30 June 2009 based on an independent valuation prepared by DTZ. As the land is currently held for undetermined use, which could include full development of premises for rent or sale, partial development and sale of improved building sites, or sale of the entire site to one buyer, it is understood that the best determinant of the asset's value would be recent sale prices for comparable land. As no reliable information is available as to prices paid for comparable land, the appraiser has applied a residual value approach, in which the value of the land is based on an estimate of the future potential net income to be generated by developing the property and adjusted for anticipated costs of completion.

Idelisa uses the RUB as its functional currency. Changing the classification of the Land Plots resulted in fair value appreciation of US$ 10,339,477 due to the difference between historical cost and fair value. In addition, the fair value of the property increased by US$ 220,567 as a result of exchange rate movements. The resulting net unrealised gain of US$ 10,560,044 has been recognised in the income statement of the Group as at 30 June 2009.

The fair values of investment properties are based on their market value determined by the independent appraisers, Knight Frank (for Berlin House and Petrovsky Fort) and DTZ (for Magistral'naya, Geneva House, Multi-Use Complex and Land Plots in St. Petersburg), who hold recognised and relevant professional qualifications and who have recent experience in valuation of properties of similar location and category.

In valuing the investment properties, Knight Frank has utilised the term and reversion method based on certain assumptions with respect to the rental rates which would be used upon the expiration of the current leases and the yield ("capitalisation rate"). DTZ has used residual value methodology which does not make assumptions as to future rents, but assumes that current rents will prevail and adjusts for the various costs of acquiring, completing, and putting the asset into operation. In this methodology, assumptions are made as to the amount of credit and cost at which it would be available to a theoretical buyer in the current market, and the return which the buyer would demand in order to assume the risks involved in the asset in the current market. When valuing development projects, the valuer has additionally assumed that various permits and permissions which may not yet exist will be secured as and when needed.

8. Assets under Development

in US$

	30.06.2009	31.12.2008
Assets under development		
Multi-use complexes	38,588,856	41,114,007
Land	–	27,299,896
Improvements of land plots	–	3,984,815
Total	38,588,856	72,398,718

Multi-use complexes under development

Space in the two Multi-use Complexes which is being built for sale is recognised as Assets under construction. Retail premises, which are expected to be retained and leased to tenants, are recognised as Investment property (Note 7).

Land and improvements

As of 31 December 2008 the Land plots near St. Petersburg were intended for development as a residential complex, in which homes would be built and sold along with underlying land. The Land plots were classified as Assets under development and carried at cost. On 29 April 2009 the Board of Directors resolved that until a development plan is approved, the land plots will be held for undetermined future use. As a result, the Land plots were reclassified from Assets under development to Investment property during the period under review. As Investment property the Land plots are carried at fair value. The reclassification of the Land plots resulted in a significant increase in the carrying value of the Land plots.

9. Financial Investments

Financial assets at fair value through profit or loss

Management classified the Group's financial investments as financial assets at fair value through profit or loss.

in US$

	30.06.2009	31.12.2008
Sarnatus Trading Limited	20,350,000	20,350,000
Other	7,500,000	1,959,600
	27,850,000	22,309,600

Sarnatus Trading Limited

Since 1 July 2004, the Group has owned 10 % of the equity in Sarnatus, a company which currently has three primary subsidiaries: one owning 100% of the Mosmart retail chain, one owning four shopping centers and adjacent development land in Moscow, and one which owns an office property in Moscow. Historical details of the investment and valuation methodology applied are available in the 2008 Annual Report.

The equity investment in Sarnatus has not been revalued as of 30 June 2009, and remains unchanged since 31 December 2008 at US$20.35 million. Between 30 June 2008 and 31 December 2008, the Group reduced its carrying value for Sarnatus from US$ 54.03 million to US$ 20.35 million based on both company-specific and sector-wide deterioration of business conditions. During the period under review Sarnatus, retail real estate, and Russian food retailers in general have been subject to both positive and negative events and conditions. In addition, it is expected that the Group and other current Sarnatus shareholders will be significantly diluted in a transaction linked to provision of significant financial support to the company. Management of the Group believes the negative effects on the value of its holding due to the deterioration of property values and potential dilution are balanced by the positive effects of recovery in retail comparables and the financial strength a new shareholder would provide the company. As such, the value at year-end remains a reasonable estimate of the value of Sarnatus at 30 June 2009.

10. Investments in Associates

in US$

	30.06.2009	31.12.2008
Hypercenter Investment SA		
Beginning of year	13,113,282	27,889,587
Share of associates' profits/ (losses)	– 4,755,818	– 18,907,307
Exchange differences	– 367,965	– 1,048,997
Other equity movements	–	–
Additional contribution	–	5,180,000
Closing balance	7,989,500	13,113,282

Hypercenter Investment SA

In 2005, the Company made a capital contribution to Hypercenter Investment SA which was formed to be the exclusive development partner for new Mosmart-anchored shopping centers. EPH owns 25.9% of Hypercenter Investment.

From 2005 to 2008, the Company made contributions to Hypercenter Investment SA in the form of interest-free loans. The other shareholders of Hypercenter Investment have also made loans to the company in proportion to their ownership.

The primary assets of Hypercenter Investment are a shopping center project in Nizhny Novgorod which is substantially completed but not yet open, a land site in Ryazan which has been prepared for construction of a shopping center, and rights to a number of other projects in Moscow, St. Petersburg and other Russian cities. As the board of directors of Hypercenter Investment have not approved the company's 31 December 2008 financial statements, no audited financial information exists for 2008. Full financial information for 30 June 2009 also has not been finalised. As such, the numbers used by the Group for both the 12 month period ended 31 December 2008 and the six month period ended 30 June 2009 are estimates which may be subject to revision when complete financial information becomes available. The significant judgements made by the Management and the key sources of estimation uncertainty in estimating the value of Hypercenter Investment are the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2008 which are available in note 4 Critical Accounting Estimates and Judgement of the 2008 Annual Report.

Hypercenter Investment SA is an unlisted company incorporated in Luxembourg.

in US$

	30.06.2009	31.12.2008
Hypercenter Investment SA		
Assets	73,376,166	91,880,110
Liabilities	162,683,000	161,404,000
Profit/ (loss)	– 18,362,232	– 72,928,467
Interest held	25.9%	25.9%
Vestive Limited		
Assets	91,752,946	93,898,227
Liabilities	19,427,522	14,626,463
Profit/ (loss)	– 4,950,702	– 34,795,379
Interest held	50.0%	50.0%

Vestive Limited

Vestive Limited, a company registered in Cyprus, is 50% owned by Eastern Property Partners II (EPP II), an exempted limited partnership. Vestive owns 100% of Inkonika LLC, a Russian company with certain rights to the development of parking garages in central Moscow.

On 16 January 2008, EPH made an initial capital contribution of US$ 9,000 to EPP II. Throughout 2008, EPH made additional capital contributions totalling US$ 57.03 million to EPP II, which used US$ 48.03 million to acquire 50% of the share capital of Vestive and US$ 9.00 million as an equity contribution to the company. In addition, US$ 6.03 million was provided as a loan to Inkonika LLC through Redhill Investment Limited (see Note 11).

EPH owns almost 100% of the limited partnership interests of EPP II. Valartis International Limited and Eastern Property Management

Limited, as General Partner, have nominal shares in the partnership. As EPH is the limited partner with almost 100% in EPP II, the partnership was consolidated into the Group.

The fair value of Vestive's assets was based on their market value as determined by DTZ as independent appraiser using primarily a residual value methodology. The residual value methodology determines the value of an asset as if it currently exists, then deducts the costs of bringing the asset from its current state to completion, including a profit for the developer. DTZ holds recognised and relevant professional qualifications and has recent experience in valuation of properties of similar location and category. Assumptions have been made, including that permits and documentation which does not currently exist will be secured without significant delay when needed to complete development projects.

The assets of Vestive's wholly owned subsidiary, Inkonika, which were valued at 30 June 2009, consisted of the rights to eight parking projects in the city of Moscow. Due to successful opposition to one project by local residents, and privatisation of the site of another by the federal government, discussions are currently underway between the city of Moscow and Inkonika to replace two of the current projects with two others. As the revocation of rights to the two projects would be through no fault of Inkonika's, management is confident that substitute projects will be provided. In case no replacement projects are agreed, the City would be required to refund documented costs. The Group has the potential for other recourse as well, , however, if the two projects are cancelled and no replacements are provided or offsetting compensation received, the Group would recognise a loss of approximately US$ 7.50 million based on the two project's current valuations.

in US$

	30.06.2009	31.12.2008
Vestive Limited		
Beginning of the period	39,635,882	–
Share of associates' profits / (losses)	– 2,475,351	– 17,397,689
Exchange differences	– 997,818	
Other equity movements	–	–
Additional contribution	–	57,033,571
Closing balance	36,162,713	39,635,882

11. Loans and Receivables

in US$

	30.06.2009	31.12.2008
Loans (non-current)		
EPH Real Estate Limited	30,730,279	25,716,686
Vestive Limited	–	5,030,006
Loans (current)		
Mr Alexander Korolev	7,376,667	7,051,667
Bluestone Investments Limited	15,158,910	13,747,389
Vestive Limited	6,920,051	–
Konkor	3,488,958	3,330,273
Other	172,868	172,868
	63,847,733	55,048,889

EPH Real Estate Limited
On 9 February 2007, the Group made a RUB 92.80 million loan to EPH Real Estate Ltd. On 31 December 2008, the currency denomination of this loan was changed from RUB to US$ and equals US$ 3.53. From 2007 to 2009 the Group made loans totalling US$ 22.44 million to the joint venture company to finance the construction of the Geneva House project. The Company also made an interest-free US$ 0.90 million loan to EPH Real Estate. Beginning in 2007, according to IAS 31, the joint venture is partially consolidated by integration of 50 % of its balance sheet and income statement.

Mr Alexander Korolev and ZAO Konkor
On 17 December 2007, the Company signed a US$ 5.00 million loan agreement with Mr Alexander Korolev, which was further increased to US$ 6.50 million on 28 May 2008.

On 31 July 2008, Redhill, an EPH subsidiary, signed a US$ 3.20 million loan agreement with ZAO Stroitelno-Investitsionnaya Kompaniya "Konkor". On 30 April 2009, the Company and the shareholders of ZAO Stroitelno-Investitsionnaya Kompaniya "Konkor", Mr. Korolev and Mr Kononov, signed an agreement providing EPH with the right to acquire 70% of ZAO Konkor, which owns the rights for the development of a hotel and business center in the center of Moscow, for the value of the loan if it remains outstanding at a certain period of time in the future.

Bluestone Investments Limited
During 2007 – 2008, the Group made a loan of RUB 311.30 million to CJSC IC Otdelstroy, a wholly owned subsidiary of Geneva House LLC to finance construction of the Multi-use complex in central Moscow. On 31 December 2008, the currency denomination of this loan was changed from RUB to US$ making the principal amount of the loan US$ 12.74.

During 6 months 2009 the Group made loans totalling US$ 0.48 million to the joint venture company to finance the construction of the Multi-use complex.

Since 31 December 2008, according to IAS 31, the Group has partially consolidated Bluestone by integration of 50% of its balance sheet. Prior to 31 December 2008, Bluestone was treated as a Financial investment.

Vestive Limited
On 18 March 2008, the Group made a loan of RUB 141.45 million to Inkonika LLC which used the loan proceeds to finance the construction of parking garages in the center of Moscow.

On 1 January 2009, the currency denomination of this loan was changed from RUB to US$ and equalled US$ 5.98 million.

12. Shareholders' Equity

Authorised capital

Art. 5 of the Company's Memorandum of Association, as amended by the resolutions passed at the Extraordinary Shareholders Meeting of 29 June 2004, 19 November 2004 and 7 March 2005, and the General Meeting of Members of 16 May 2006, 3 May 2007 and 24 June 2008 provides for an authorised capital which entitles the Board of Directors to issue a total of 9,000,000 registered ordinary shares without par value and 1,000,000 registered Series A preferred shares without par value.

Art. 3.4 of the Articles of Association foresees that the existing shareholders shall, in principle, be entitled to their subscription rights in the context of an authorised capital increase.

Change of capital

in US$

Authorised capital

	Number of ordinary shares		Number of series A preferred shares	
	30.06.2009	31.12.2008	30.06.2009	31.12.2008
Total authorised capital	9,000,000	9,000,000	1,000,000	1,000,000
Opening balance unissued authorised capital	3,661,868	3,661,868	1,000,000	1,000,000
Increase	–	–	-	-
Utilisation for capital increase	-	–	-	-
Conversion to ordinary shares	-	–	-	-
Closing balance unissued authorised capital	3,661,868	3,661,868	1,000,000	1,000,000

Issued share capital

	Number of ordinary shares		Number of series A preferred shares	
	30.06.2009	31.12.2008	30.06.2009	31.12.2008
Opening Balance	5,338,132	5,338,132	-	-
Capital increase	–	–	-	-
Closing balance	5,338,132	5,338,132	-	-

Treasury shares

	30.06.2009	31.12.2008
	Number of shares	Number of shares
Opening Balance	546,153	448,903
Issued to treasury	-	–
Purchase	508,966	97,250
Sales	-	–
Closing balance	1,055,119	546,153

Treasury shares do not participate in profits of the Company and do not carry any voting rights. All outstanding shares rank equally as to dividends and all other pecuniary rights associated with share ownership. Common shares are entitled to one vote each. Preferred A shares are not entitled to vote.

During the period under review, the Company did not pay a dividend.

13. Borrowings and other non-current liabilities

in US$	30.06.2009	31.12.2008
Tenant deposits (interest free)	1,238,794	1,390,094
Unicreditbank loan	39,700,000	–
Aareal bank loan	38,800,000	39,200,000
Financial instruments	2,706,727	–
Finance lease liabilities	2,458,065	2,467,459
Deferred tax liabilities	–	410,001
	84,903,586	43,467,554

In October 2007 the Group drew a US$ 40.00 million, non-recourse 5 year term loan from Aareal Bank AG secured by Berlin House. The terms of the facility agreement require that the value of the property not fall below 70% of the outstanding loan amount (Loan-to-Value covenant) and that the income from the property not fall below a certain ratio to the interest expense (Interest Coverage Ratio). The facility agreement also establishes the pledge of surplus income to the Bank in case the rental income from the property falls below a certain percentage of the outstanding loan amount. The property is primarily leased to international tenants under long term leases, with lease rates which do not exceed current market rents. The income of Berlin House has remained at a stable level, and the decrease in the value of the asset is due to higher yields applied for the valuation. All covenants were being complied with on 30 June 2009, and management sees little risk of breaches occurring in the foreseeable future.

In January 2009 the Group drew a US$ 40.00 million, non-recourse 5 year term loan from UniCredit Bank secured by Petrovsky Fort. The terms of the facility agreement require that the value of the property not fall below 65% of the outstanding loan amount (Loan-to-Value covenant, tested annually). The facility agreement also establishes a higher amortisation in case the that the cash flows / net income from the property fall below 1.35 times the cost of servicing the debt (Debt Service Coverage Ratio (DSCR), tested quarterly) to bring the property into compliance with the covenant again. Increased vacancies at Petrovsky Fort, lower rent levels, and higher yields used for valuation purposes have resulted in both lower cash flows and a lower valuation for the property.

Budgeted income shows that the property is likely not to meet the 1.35 DSCR for the next quarterly testing date, and as per the terms of the facility agreement surplus net cash flows from Petrovsky Fort will be deposited into an existing special bank account with the option to use them to reduce the debt. Also, the most recent valuation does not result in a LTV of 65% (but 67%). Reducing the amount of the loan by US$ 1.50 million would immediately bring the LTV in line with the 65% limit. However, a combination of scheduled amortisation, the additional amortisation from surplus cash flow and the absence of further deterioration of the property's value are also likely to reduce the debt to a level which meets the LTV covenant for the next testing date. Should the LTV covenant not be met on this next testing date, a remedy period is granted during which the loan can be brought into compliance again.

14. Provisions for Liabilities and Charges

in US$

30.06.2009

	Performance fee	Others	Total
Opening balance	7,649,981	79,929	7,729,910
Additional provisions	189,205	26,524	215,729
Dissolution	– 3,618,465	–	– 3,618,465
Closing balance	4,220,721	106,453	4,327,174

Analysis of total provisions	30.06.2009	31.12.2008
Non-current	4,220,721	7,649,981
Current	106,453	79,929
Closing balance	4,327,174	7,729,910

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Eastern Property Management Ltd is to receive a performance fee equalling 15% of the appreciation of the Group's investments. Provisions are made for the payment of performance fees each reporting period, but the fees are only paid if there is a cash event involving a holding which has appreciated in value. Payment of performance fees is also subject to a high water mark which is the per share net asset value of the Company at the time of the prior payment of a performance fee. A performance fee was paid when Berlin House was refinanced in October 2007, setting the high water mark at US$ 111.86 per share. Provisions for performance fees are also reduced when the value of an asset decreases. The amount of a performance fee is set when a cash event occurs, though the fee will only be paid when the high water mark is again reached.

15. Commitments and Contingencies

As a result of its investment and development activities, the Company has entered into commitments totalling US$ 9.24 million as of 30 June 2009:

1. EPH Real Estate Ltd: undrawn facility of US$ 0.36 million;
2. EPH One LLC: undrawn loan amount of US$ 2.56 million;
3. EPH One LLC: investments of US$ 6.32 under the Shared Participation in Construction agreement related to Geneva House

16. Seasonality of Interim Operations

The Group's operating income is due to rent income from real estate assets, or interest income from loans and cash on deposit. As such, Management of the Group does not believe interim operations are subject to seasonality. Operations are subject to long-term cyclical patterns in rent and interest rates.

17. Subsequent Events

On 10 August 2009, The Group signed an interest-free loan agreement with the Russian subsidiary of Vestive Limited, which is owned 50% by Eastern Property Partners II LP, for RUB 50.00 million.

On 13 August 2009, the Sarnatus Shareholders Agreement was amended, removing the US$ 2.22 million contribution commitment described in Note 15. The Group has no additional commitments to fund Sarnatus.

18. Taxation

Please note that the Management of the Group uses an estimate of the annual tax rate to calculate and recognise an interim period tax charge, as required by IAS 34.30 (c).

19. Related Party Transactions

The Group owns almost 100% of Eastern Property Partners II and Geneva House LP, through which it holds 50% stakes in Vestive and EPH Real Estate, respectively. Through its ownership of over 90% of the limited partnership interests in Eastern Property Partners, the Group holds stakes in Bluestone, Housefar, and Idelisa. The Group also owns 25.9% of Hypercenter Investment SA and 10% of Sarnatus Trading Limited. As such, each of these companies are to be considered related parties. The Group's transactions with these companies in the period under review, subsequent to the period's close, and planned in the future are described in Notes 7,8,9,10,11,15 and 17.

The following 100%-owned subsidiaries of Valartis Group have contractual agreements in place with the Group which management fee/ advisory fees/ performance fees are charged:

- Eastern Property Management Ltd (EPML) has a management agreement with EPH
- EPML is the General Partner of Eastern Property Partners LP (EPP), Eastern Property Partners II (EPP II), and Geneva House LP.
- Valartis Asset Management has advisory contracts with EPP, EPP II and Geneva House LP.
- Valartis International has property management agreements with Connecta KG and Petrovsky Fort LLC

Employees of Valartis Group companies are members of the Management Committee and Board of Directors of the Company.

The total amount of management and advisory fees earned by all Valartis Group subsidiaries is limited at 2% of the net assets of the Group as defined by the Real Estate Management Agreement between EPML and EPH.

For the period under review, US$ 3.87 million (June 08: US$ 5.32 million) was paid or will be paid as management fees, and US$ 3.43 million (June 08: US$ 1.81million was accrued) has been reversed from the provision accrued in previous years for payment of performance fees based on net reduction of the current values of the Group's financial investments and real estate assets.

As of 30 June 2009, Valartis Group AG held 773,798 shares of EPH and its wholly-owned subsidiary Valartis International Limited held 339,703 shares. ENR Russia Invest and ENR Private Equity, which are majority owned by Valartis Group owned 221,000 and 272,000 shares, respectively. MCT Global Opportunities Fund, which is managed by Valartis International Limited, a sister company to EPML, held 100,000 shares of EPH.

20. Cash and Cash Equivalents

in US$	30.06.2009		31.12.2008	
	Valartis Bank*	Others	Valartis Bank*	Others
Cash at bank and in hand	12,296,170	4,323,823	5,052,854	2,797,852
Fiduciary deposits	–	484,341	–	783,760
Money market instruments	-	1,810	-	344,702
Bank overdraft	– 913,257	–	– 3,716	–
Cash and cash equivalents	11,382,913	4,809,974	5,049,138	3,926,314
Total cash and cash equivalents		16,192,887		8,975,452

Shareholder Information and Corporate Details

Board of Directors
Gustav Stenbolt
Serge de Pahlen
Kay Reddy
Philipp LeibundGut

Domicile
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(since March 2004)

Real Estate Manager
Eastern Property Management Limited
P.O. Box 3161
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ISIN Number
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Ticker Symbol
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Imprint

Eastern Property Holdings, Road Town, Tortola

Picture
Thomas Mayer, Germany, www.thomasmayerarchive.de

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Realisation and Printing
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